

BOARD OF COUNTY COMMISSIONERS

AGENDA ITEM SUMMARY

Meeting Date: September 15, 2004

Division: Management Services

Bulk Item: Yes X No

Department: Administrative Services/RiskManagement

AGENDA ITEM WORDING: Approval to accept proposal from The Florida Municipal Insurance Trust Agreement #386 at an premium of \$255,510 to be paid in quarter installments of \$85,170.

ITEM BACKGROUND: This program provides \$5,000,000 excess liability insurance over the County's \$1,00,000 Self-Insured Retention for General, Public Officials and Automobile Liability Claims. Also provides auto physical damage and Ambulance Attendants Medical Malpractice Coverage.

PREVIOUS REVELANT BOCC ACTION: Awarded bid to Florida League of Cities, Inc. for 2003-2004 at an annual premium of \$237,214.

CONTRACT/AGREEMENT CHANGES: The total increase is \$18, 298. This represents a 8% increase over the 2003/2004 premium. The new renewal dates are 10/1/04-9/30/05.

STAFF RECOMMENDATIONS: Approval.

TOTAL COST: \$255,510

BUDGETED: Yes X No

COST TO COUNTY: \$255,510

REVENUE PRODUCING: Yes No X **AMOUNT PER MONTH** **Year**

APPROVED BY: County Atty OMB/Purchasing Risk Management

DIVISION DIRECTOR APPROVAL:



SHEILA A. BARKER

DOCUMENTATION: Included X To Follow Not Required

DISPOSITION:

AGENDA ITEM # C25

INTERISK CORPORATION

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August 26, 2004

Ms. Maria Slavik
Risk Management Specialist
Monroe County
1100 Simonton Street
Suite 268
Key West, Florida 33040

Subject: Liability Insurance Renewal

Dear Maria:

I have completed my review of the proposals that were received in response to the County's Request for Proposals (RFP) # 232-134- RSK-0-2004/PUR. The RFP specified that the following types of insurance were being solicited.

- * Excess General Liability
- * Excess Public Officials Liability
- * Excess Vehicle Liability and Physical Damage

In accordance with the County's Purchasing procedures, detailed bid specifications were posted on Demand Star and a total of six (6) different agents submitted market requests. Based on the requests, the County's account was submitted to over seventeen (17) different insurers. It is believed that the insurers receiving a copy of the County's RFP represent the majority, if not all, of the insurers with the desire and ability to provide the coverages needed by the County.

On August 24, 2004 all of the proposals that were received were opened by the County's Purchasing Department. The actual opening was delayed several days due to Hurricane Charley. The revised opening date was published through the use of an addendum that was distributed to all agents participating in the renewal process by Demand Star.

The following agents submitted formal proposals:

- The Florida League of Cities (the incumbent agent)
- LB Bryan & Company
- Willis of Florida.

It is believed that all three agents have the resources and expertise to service the needs of the County. Attached is a side-by-side comparison of the proposals received that displays the major features of each program along with the current program. Following is a brief discussion of each proposal submitted. To assist in the discussion each proposal will be discussed under a separate caption.

LB Bryan & Company

LB Bryan & Company submitted a proposal for Excess General Liability and Excess Vehicle Liability insurance from State National Insurance Company. State National enjoys a favorable rating from the A.M. Best and Company, the leading evaluator of insurance company operations. LB Bryan was unable to secure a proposal for the County's Public Officials Liability insurance. In addition LB Bryan was unable to secure a proposal for Physical Damage (Comprehensive and Collision) coverage for the County's vehicles.

While LB Bryan's annual premium of \$202,000 was the lowest of the three agents submitting proposals, the additional cost to secure Public Officials and Physical Damage coverage from a different source would result in equal or higher premiums available from other proposers. Having the County's General/Vehicle Liability insurance with one agent and its Public Officials and Vehicle Physical Damage insurance with another would fragment the program and could complicate the claim settlement process. It is therefore recommended that LB Bryan be eliminated from further consideration.

Willis of Florida

Willis submitted two retention options from the Preferred Governmental Insurance Trust (PGIT). The first option offered to continue the County's current retention of \$100,000 per occurrence while the second option lowered the retention to \$50,000.

Like the Florida League of Cities, PGIT is not a traditional insurer but a self-insured trust that began operations in 1999 and therefore is not rated by A.M. Best and Company.

Willis proposed an annual premium of \$252,608 for its \$100,000 retention option and \$391,429 for its \$50,000 option. Based on a review of the County's historical losses, it is not believed that reducing the County's retention to \$50,000 justifies the additional premium (\$138,821) associated with the \$50,000 option. It is therefore recommended that Willis' \$50,000 option be eliminated from further consideration.

The terms and conditions of the PGIT program are comparable to the current program and the one being offered by the Florida League with one major exception. The Public Officials Liability would be provided on a "Claims Made" basis as compared to the current "Occurrence" basis. Under an Occurrence based program, claims that occur during the policy period would be covered regardless of when they are reported to the insurer. Under a Claims Made based program, only those claims that are reported to the insurer during the policy period are covered, regardless of when they occurred. While this difference would not materially impact the level of protection the County would purchase for the upcoming year, it could present problems in future years. An example would best demonstrate the potential problems.

Assume that the County were to purchase a Claims Made policy for the period October 1, 2004 to October 1, 2005. Further assume that the County went back to an Occurrence policy effective October 1, 2005. If a claim were to occur late in the 2004/2005 policy year and was not reported to the insurer until after October 1, 2005, the claims made insurer would deny coverage because the claim was not reported to them during the policy year. Likewise the Occurrence insurer would deny coverage because the event that prompted the claim did not occur during the policy period.

A way to overcome this potential problem is by purchasing what is called an Extended Reporting Period on the claims made policy when it expires. This will extend the time when a claim can be reported to the insurer by as much as 12 months. It is not uncommon for an Extended Reporting Period of 12 months to cost as much as the annual premium for the basic policy. Because the concerns associated with a claims made policy and the fact that Willis proposed premium for the \$100,000 option is only \$2,902 (1%) less than what is being proposed by the Florida League, it is recommended that Willis be eliminated from further consideration.

The Florida League of Cities

The Florida League of Cities proposed renewing the current program with the same terms and conditions for the following premiums:

Coverage	Premium
General Liability	\$113,420
Public Officials Liability	42,898
Vehicle Liability and Physical Damage	99,192
Total	\$255,510

This amount is \$18,298 (8%) higher than what is currently being paid. This increase is considerably lower than what other organizations are currently experiencing when renewing similar coverages.

While the Florida League is a self-insured trust and is not rated by the A.M. Best and Company, they have been providing insurance for governmental entities since 1977 and has never failed to meet its claim obligations as they became due. A review of the League's financial statements did not reveal anything to suggest that they would not be able to continue this practice. It is therefore recommended that Monroe County elect to renew its Excess General Liability, Public Officials Liability, Excess Vehicle Liability and its Vehicle Physical Damage insurance with the Florida League of Cities for the 2004/2005 policy year.

As always, please do not hesitate to call if you have any questions.

Cordially,

INTERISK CORPORATION



Sidney G. Webber
CPCU, ARM